

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name VILLAGE OF PARMA LDFA	County JACKSON
Fiscal Year End 02/28/2006	Opinion Date 07/25/2006	Date Audit Report Submitted to State 09/19/2006	

We affirm that:

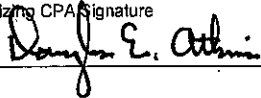
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY CPAs		Telephone Number (517) 782-9351	
Street Address 2880 SPRING ARBOR RD		City JACKSON	State MI
Zip 49203			
Authorizing CPA Signature 	Printed Name DOUGLAS E. ATKINS, CPA		License Number 1101016353

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

(A COMPONENT UNIT OF THE VILLAGE OF PARMA, MICHIGAN)

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2006

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**ANNUAL FINANCIAL REPORT  
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## **INDEPENDENT AUDITOR'S REPORT**

# MARKOWSKI & COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

### INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
The Local Development Finance Authority  
Of The Village of Parma

We have audited the accompanying financial statements of the governmental activities and the major fund of **The Local Development Finance Authority of the Village of Parma** (the "LDFA", a component unit of the Village of Parma, Michigan), as of and for the year ended February 28, 2006, which collectively comprise the LDFA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LDFA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

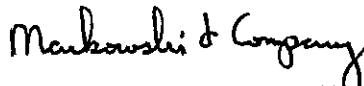
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of The Local Development Finance Authority of the Village of Parma as of February 28, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The LDFA has elected not to present Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information presented on page 18 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the LDFA's basic financial statements. The accompanying additional information - Recap of 2005 Tax Levy, and \$1,800,000 Tax Increment Revenue Agreement Payable - are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



MARKOWSKI & COMPANY CPAs  
July 25, 2006

## **BASIC FINANCIAL STATEMENTS**

**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**  
**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
**FEBRUARY 28, 2006**

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
<b>Assets:</b>			
Cash and Investments	\$ 947,964	\$ -	\$ 947,964
Prepaid Expenses	-	-	-
Land	-	352,120	352,120
Total assets	<u>\$ 947,964</u>	<u>352,120</u>	<u>1,300,084</u>
<b>Liabilities:</b>			
Accounts payable	\$ 345,150	-	345,150
Tax Increment Revenue Agreement payable	-	-	-
Total liabilities	<u>345,150</u>	<u>-</u>	<u>345,150</u>
<b>Fund Balances/Net Assets:</b>			
<b>Fund balances:</b>			
Unreserved, undesignated	602,814	(602,814)	-
Total equity and other credits	<u>602,814</u>	<u>(602,814)</u>	<u>-</u>
 Total liabilities and Fund Balances	 <u>\$ 947,964</u>		
<b>Net Assets:</b>			
Invested in capital assets, net of related debt		352,120	352,120
Unreserved		602,814	602,814
		<u>\$ -</u>	<u>\$ 954,934</u>
 Amounts reported in the statement of net assets are different because:			
Fund balances, governmental fund balance sheet			\$ 602,814
Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.			<u>352,120</u>
Net assets of governmental activities			<u>\$ 954,934</u>

The notes to the financial statements are an integral part of this statement.



**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND TYPES**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	GENERAL FUND	ADJUSTMENTS	STATEMENT ACTIVITIES
EXPENDITURES/EXPENSES:			
Economic Development	\$ 88,703	\$ -	\$ 88,703
Other	117,450	-	117,450
Total expenditures/expenses	<u>206,153</u>	<u>-</u>	<u>206,153</u>
GENERAL REVENUES:			
Property taxes	619,921	-	619,921
Less: Return of excess capture	(342,864)	-	(342,864)
Net property taxes captured	<u>277,057</u>	<u>-</u>	<u>277,057</u>
Interest income	18,103	-	18,103
Total general revenues	<u>295,160</u>	<u>-</u>	<u>295,160</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	89,007	-	89,007
FUND BALANCE/NET ASSETS - Beginning	<u>513,807</u>	<u>352,120</u>	<u>865,927</u>
FUND BALANCE/NET ASSETS - Ending	<u>\$ 602,814</u>	<u>\$ 352,120</u>	<u>\$ 954,934</u>

There are no differences between the amounts reported for governmental activities and the fund financial statements.

The notes to the financial statements are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS**

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**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**1. REPORTING ENTITY:**

The Local Development Finance Authority of the Village of Parma was created by the Village of Parma in a resolution dated December 12, 1988. Public Act 281 of 1986 provides the authority for the Village to establish an LDFA. The LDFA will expire in 2021.

The LDFA of the Village of Parma is governed by an eleven member board, which consists of four representatives appointed by the Village of Parma, three appointed by Sandstone Charter Township, two appointed by Western School District, and one each appointed by Jackson County and Jackson Community College.

The LDFA's primary functions are site acquisition, development, and improvement, (including the extension of roads and utilities) for the Parma Village - Sandstone Industrial Park. Currently, the only company located within the park is the Michigan Automotive Compressor, Inc. (MACI) plant.

The criteria established by the Governmental Accounting Standards Board (GASB), for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the LDFA of the Village of Parma is considered a component unit of the Village of Parma and is included in the Village's financial statements.

Effective March 1, 2004 the LDFA implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Some of the significant changes in the LDFA's financial reporting as a result of this statement include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the LDFA's overall financial position and results of operations is not included with the financial statements.

Government-wide financial statements prepared using the full accrual accounting for all of the LDFA's activities.

A change in the fund financial statements to focus on the major funds.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**2. Basic Financial Statements – Government-Wide and Governmental Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the LDFA. The LDFA operations consist solely of governmental-type activities; it has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to users or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other income not properly included among program revenues are reported instead as general revenue.

The fund financial statements are provided for governmental funds, and have been reported in conjunction with the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statement.

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The LDFA uses a fund to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and a modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the LDFA considers revenues to be available if they are collected within 60 days of the fiscal year end.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation:** (Continued)

Expenditures are generally recorded when a liability is incurred, the same as accrual accounting.

The LDFA reports its operating fund as a major fund.

**4. Budgetary Procedures**

The Board of Directors adopted a budget during a regularly scheduled open meeting. The budget was prepared using the modified accrual method of accounting, which is consistent with the measurement focus of the fund financial statements.

The budget was not amended during the fiscal year ended February 28, 2006.

**5. Cash and Investments:**

The LDFA's cash and cash equivalents consist of demand deposit accounts, short-term investments with original maturities of less than 90 days, and accounts with liquidity similar to cash.

Investments are reported at their original cost.

**6. Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**1. BUDGET VIOLATIONS:**

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the LDFA's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. For the year ended February 28, 2006, the LDFA incurred expenditures which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Audit Services	\$ 2,000	\$ 2,200	\$ (200)
Bank fees	-	10	(10)
Wetlands Mitigation	25,000	45,000	(20,000)

Spending amounts in excess of budget (appropriations) is a violation of state law.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE C - DEPOSITS:**

State statutes and LDFA policy authorize the LDFA to deposit and invest in the accounts of Federally insured banks; insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The LDFA's deposits are in accordance with statutory authority and LDFA policy.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The LDFA minimizes this risk by limiting its investments to shorter term securities with liquidity similar to a money market account.

**Concentration of Credit Risk**

The LDFA's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE C - DEPOSITS: (Continued)**

Cash, cash equivalents, and investments of the LDFA can be defined as follows: Cash and cash equivalents consist of deposits (checking and savings accounts) and its investments in the investment pool, which have a liquidity similar to that of cash. The deposits are held at two local banks, in the name of the LDFA.

As of February 28, 2006, \$747,964 of the LDFA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The LDFA did not violate any of its investment policies or related state laws during the year ended February 28, 2006.

Cash and investments reported in the basic financial statements at February 28, 2006 can be summarized as follows:

Cash and Cash Equivalents:	
Checking account	\$ 358,862
Savings account	589,102
	<u>\$ 947,964</u>

**NOTE D - PROPERTY TAXES:**

The LDFA derives its revenues from property taxes "captured" from the levies of local entities. The local entities receive all revenues from their debt millage, but receive operating millage only on the original taxable value of property within the LDFA district. The LDFA cannot capture education taxes (state education tax, local school operating taxes, and intermediate school district operating taxes). The LDFA collects (or captures) any taxes on the increase in value of property within the district.

The local tax collecting agency, Sandstone Charter Township, is required by the Michigan Tax Commission to hold certain excess tax levies captured on behalf of an LDFA in an escrow account. These taxes are not reported as revenue by the LDFA as it never receives them. The Township refunds these excess amounts directly to the taxing entities.

Amendments to property tax laws now limit the amount of taxes captured by the LDFA to the amounts necessary to service its debt and certain other eligible obligations. Any amounts in excess of this limit are to be refunded proportionately to the units levying the millage.



**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE D - PROPERTY TAXES: (Continued)**

Sandstone Charter Township assesses the involved properties, and levies the millages for all local units involved. Tax payments are also collected by the Township, except for the Village of Parma, which collects its own millage and remits it to the LDFA. The taxes become a lien on the property as of December 31, and are levied on July 1 and December 1 of the following year. Payments are due by September 14 (for the July levy) and February 28 (for the December levy).

Under Michigan law (Public Act 198 of 1974), property owners may apply for special tax rates for up to 12 years for certain new properties. If approved, the property owner will pay an Industrial Facilities Tax (IFT) rate equal to 50% of the current rates. If the IFT was granted prior to 1994, taxes are levied at 50% of current rates except for school operating taxes. School taxes are levied at 50% of the 1993 millage rate (the last levy prior to enactment of Proposal A, which shifted school funding to a smaller property tax and larger sales tax) for the pre-1994 IFT's. For IFT's granted after 1993, the taxes are levied at 50% of the current millage rate, except for taxes levied under the State Education Tax Act. Those taxes are levied at 100% of the current rate, unless a reduced amount is approved by the State.

The property within the LDFA includes eleven parcels. Two are personal and real property with IFT certificates issued prior to 1994, with a total taxable value of \$4,076,832 for the 2005 levy; seven parcels are personal property with IFT certificates issued since 1994 – four (with a total taxable value of \$36,826,828) levy the full six mills of state education taxes, two (with a total taxable value of \$2,904,511) levy 50% of the state education tax, and one (with a taxable value of \$9,579,932) levies no state education tax; one is personal property with a taxable value of \$10,321,147 which levies the full millage for all taxing units; and one is the original real property with a taxable value of \$9,968,534 which levies the full millage for all taxing units.

**LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - PROPERTY TAXES: (Continued)**

For the fiscal year ended February 28, 2006 property taxes were levied and collected as follows:

	AD VALOREM	PRE-1994 IFT	POST - 1993 IFT	TOTAL
Taxable value	\$ 20,289,681	\$ 4,076,832	\$ 49,170,121	\$ 73,536,634
Original value	(142,165)	-	-	(142,165)
Captured value	<u>\$ 20,147,516</u>	<u>\$ 4,076,832</u>	<u>\$ 49,170,121</u>	<u>\$ 73,394,469</u>
Total taxes levied	\$ 1,105,493	\$ 138,176	\$ 1,443,753	\$ 2,687,422
Taxes on original value	(7,746)	-	-	(7,746)
Debt and education levies not subject to capture	(831,111)	(111,198)	(1,117,446)	(2,059,755)
Gross levies captured	<u>\$ 266,636</u>	<u>\$ 26,978</u>	<u>\$ 326,307</u>	
Revenue reported by LDFA				619,921
Excess captured taxes refunded by the LDFA				<u>(342,864)</u>
Net taxes captured				<u>\$ 277,057</u>

**NOTE E - ECONOMIC DEPENDENCE:**

All of the tax increment revenues of the LDFA are paid by one taxpayer - Michigan Automotive Compressor, Inc. (MACI). This company is a joint venture between two Japanese manufacturers. The company has always paid its taxes on or before the due date.

**NOTE F - COMMITMENTS AND CONTINGENCIES:**

**1. TAX INCREMENT REVENUE AGREEMENT PAYABLE:**

In October 2002, Jackson County sold \$1,800,000 of bonds to finance improvements to the municipal water supply system and fire protection system within the LDFA boundaries. The Village of Parma has entered into a lease agreement, with payments due in amount equal to the debt service requirements of these County bonds. The Village in turn entered into contractual agreements with the LDFA. The terms of the contracts require the LDFA to defray the Village's obligation with tax increment revenues derived from the capture of Village, Township, County, District Library, and Community College taxes levied within the LDFA district.

**LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - COMMITMENTS AND CONTINGENCIES: (Continued)**

**1. TAX INCREMENT REVENUE AGREEMENT PAYABLE: (Continued)**

The terms of the bonds, and in turn the tax increment revenue agreement payable, call for annual principal payments ranging from \$25,000 to \$150,000, at interest rates ranging from 2.75% to 5.50%. A summary of activity on this agreement is as follows:

	PRINCIPAL BALANCE 2/29/05	ADDITIONS	RETIREMENTS	PRINCIPAL BALANCE 2/28/06
Tax Increment Revenue Agreement payable	\$ 1,750,000	\$ -	\$ (50,000)	\$ 1,700,000

Amortization of the tax increment revenue agreement payable is as follows:

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2007	\$ 50,000	\$ 64,450	\$ 114,450
2008	50,000	62,325	112,325
2009	75,000	60,544	135,544
2010	75,000	58,387	133,387
2011	75,000	56,063	131,063
2012-16	550,000	229,344	779,344
2017-2021	675,000	109,337	784,337
2022	150,000	3,375	153,375
	<u>\$ 1,700,000</u>	<u>\$ 643,825</u>	<u>\$ 2,343,825</u>

**NOTE G - SUBSEQUENT EVENTS:**

The LDFA reached an agreement to sell seven acres (of its remaining 37 which can be developed) for \$70,000. Amendments were approved to the Development Plan and Tax Increment Financing Plan which will allow the LDFA to capture future taxes on this newly split parcel.

**LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE G – SUBSEQUENT EVENTS: (Continued)**

The LDFA also approved several agreements necessary to extend an access road and sewer and water service to the site. These agreements include \$25,000 to expand a sewer lift station, \$135,000 to purchase additional sewer capacity through the City of Jackson, and \$2,000 to complete a survey necessary for road construction.

At its May 2006 meeting, a contract to construct the access road and extend water and sewer service to the site was awarded in the amount of \$313,336.

The LDFA has also been notified that a \$122,000 grant has been approved to help offset the development costs. This grant is contingent on the number of new jobs created by the company purchasing the property.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
FUND BALANCE, FEBRUARY 28, 2005	\$ 513,807	\$ 513,807	\$ 513,807	\$ -
RESOURCES (Inflows):				
Property taxes	637,716	637,716	619,921	(17,795)
Less - Return of excess capture	(505,342)	(505,342)	(342,864)	162,478
Net taxes captured	132,374	132,374	277,057	144,683
Interest income	-	-	18,103	18,103
Other revenue	-	-	-	-
Total resources (inflows)	132,374	132,374	295,160	162,786
Amount available for appropriation	646,181	646,181	808,967	162,786
CHARGES TO APPROPRIATIONS:				
Economic Development:				
Administration:				
Marketing	5,000	5,000	-	5,000
Management services	25,000	25,000	25,000	-
Audit services	2,000	2,000	2,200	(200)
Legal services	8,000	8,000	5,285	2,715
Treasurer's fee	1,000	1,000	441	559
Village support - Bookkeeping fee	2,000	2,000	-	2,000
Bank fees	-	-	10	(10)
Total administration	43,000	43,000	32,936	10,064
Maintenance:				
Wetlands mitigation	-	25,000	45,000	(20,000)
Roadway extension	125,000	100,000	10,767	89,233
Total maintenance	125,000	125,000	55,767	69,233
Total economic development	168,000	168,000	88,703	79,297
Other:				
Contract payments (See Note 5B)	118,575	118,575	117,450	1,125
Total other	118,575	118,575	117,450	1,125
Capital outlay	-	-	-	-
Total charges to appropriations	286,575	286,575	206,153	80,422
BUDGETARY FUND BALANCE - February 28, 2006	\$ 359,606	\$ 359,606	\$ 602,814	\$ 243,208

The notes to the financial statements are an integral part of this statement.

**ADDITIONAL SUPPLEMENTAL INFORMATION**

**RECAP OF 2005 TAX LEVY BY TAXING ENTITY**

**\$1,800,000 TAX INCREMENT REVENUE AGREEMENT PAYABLE**

**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**  
**RECAP OF 2005 TAX LEVY BY TAXING ENTITY**

UNIT	Millage Rate (Tax per \$1,000 of Taxable Value)	Ad Valorem- Real/Personal Property	Industrial Facilities Tax (Pre-1994)	Industrial Facilities Tax (Post-1993)	Total
Taxable value		<u>\$ 20,289,681</u>	<u>\$ 4,076,832</u>	<u>\$ 49,311,271</u>	<u>\$ 73,677,784</u>
Jackson Community College	1.15110	\$ 23,355	\$ 2,346	\$ 28,380	\$ 54,081
Intermediate School (Education)	8.13340	165,024	16,579	200,532	382,135
Western Schools (1993 - Education)	37.30000	-	76,033	-	76,033
Western Schools (Current - Education)	18.00000	365,214	-	443,802	809,016
Western Schools (Debt)	7.00000	142,028	14,269	172,589	328,886
State Education Tax (Post 1993 - Education)*	6.00000	121,738	-	229,674	351,412
Village of Parma **	4.85930	98,594	9,905	119,826	228,325
Village of Parma Hydrant (Debt)	0.38000	7,710	775	9,368	17,853
Jackson County	5.14710	104,433	10,492	126,903	241,828
Medical Care Facility	0.14060	2,853	287	3,466	6,606
Jackson District Library	0.86420	17,534	1,762	21,307	40,603
Senior Services	0.24880	5,048	507	6,135	11,690
Jackson County Jail (Debt)	0.48790	9,899	995	12,029	22,923
Parma-Sandstone Fire	1.25000	25,362	2,548	30,820	58,730
Sandstone Township **	0.82310	16,700	1,678	20,292	38,670
Total current	<u>54.48550</u>				
Total Pre-1994	<u>67.78550</u>				
Total levy		<u>1,105,492</u>	<u>138,176</u>	<u>1,425,123</u>	<u>2,668,791</u>
Paid to Taxing Entity:					
Debt retirement levies (Excl. tax on initial value)		(158,518)	(16,038)	(193,987)	(368,544)
Education tax levies (Excl. tax on initial value)		(647,408)	(92,612)	(874,008)	(1,614,028)
Parma-Sandstone Fire levy (Excl. tax on initial value)		(25,184)	(2,548)	(30,820)	(58,552)
\$142,165 Initial value (All levies)		(7,746)	-	-	(7,746)
Gross captured by LDFA		<u>\$ 266,636</u>	<u>\$ 26,978</u>	<u>\$ 326,308</u>	<u>\$ 619,921</u>

\* Two IFT certificates for properties with a taxable value of \$2,963,361 levy only 50% of the 6 mill State Education Tax; another certificate for property with a taxable value of \$10,321,147 levies no State Education Tax.

\*\* Under a separate revenue sharing agreement, the Village and Sandstone Township do not share in the tax revenue proportionally.



Paid to Entity (Original and Debt)	Excess Captured Returned by Township	Tax Captured	Excess Captured Returned by LDFA	Net Taxes Captured
\$ (164)	\$ -	\$ 53,917	\$ (29,822)	\$ 24,095
(382,135)	-	-	-	-
(76,033)	-	-	-	-
(809,016)	-	-	-	-
(328,886)	-	-	-	-
(351,412)	-	-	-	-
(691)	-	227,634	(73,608)	154,026 **
(17,853)	-	-	-	-
(732)	-	241,096	(133,348)	107,748
(20)	-	6,586	(3,643)	2,943
(123)	-	40,480	(22,389)	18,091
(35)	-	11,655	(6,446)	5,209
(22,923)	-	-	-	-
(58,730)	-	-	-	-
(117)	-	38,553	(73,608)	(35,055) **
<u>\$ (2,048,870)</u>	<u>\$ -</u>	<u>\$ 619,921</u>	<u>\$ (342,864)</u>	<u>\$ 277,057</u>

**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**

**\$1,800,000 TAX INCREMENT REVENUE AGREEMENT PAYABLE**

DATE	RATE	DEBT SERVICE REQUIREMENTS			FISCAL YEAR TOTAL	ANNUAL INTEREST
		PRINCIPAL	INTEREST	TOTAL		
09/01/05	5.50%	\$ 50,000.00	\$ 34,287.50	\$ 84,287.50		\$ 2,750.00
03/01/06			32,912.50	32,912.50	\$ 117,200.00	
09/01/06	5.50%	50,000.00	32,912.50	82,912.50		2,750.00
03/01/07			31,537.50	31,537.50	114,450.00	
09/01/07	3.00%	50,000.00	31,537.50	81,537.50		1,500.00
03/01/08			30,787.50	30,787.50	112,325.00	
09/01/08	2.75%	75,000.00	30,787.50	105,787.50		2,062.50
03/01/09			29,756.25	29,756.25	135,543.75	
09/01/09	3.00%	75,000.00	29,756.25	104,756.25		2,250.00
03/01/10			28,631.25	28,631.25	133,387.50	
09/01/10	3.20%	75,000.00	28,631.25	103,631.25		2,400.00
03/01/11			27,431.25	27,431.25	131,062.50	
09/01/11	3.30%	100,000.00	27,431.25	127,431.25		3,300.00
03/01/12			25,781.25	25,781.25	153,212.50	
09/01/12	3.40%	100,000.00	25,781.25	125,781.25		3,400.00
03/01/13			24,081.25	24,081.25	149,862.50	
09/01/13	3.55%	100,000.00	24,081.25	124,081.25		3,550.00
03/01/14			22,306.25	22,306.25	146,387.50	
09/01/14	3.70%	125,000.00	22,306.25	147,306.25		4,625.00
03/01/15			19,993.75	19,993.75	167,300.00	
09/01/15	3.85%	125,000.00	19,993.75	144,993.75		4,812.50
03/01/16			17,587.50	17,587.50	162,581.25	
09/01/16	4.00%	125,000.00	17,587.50	142,587.50		5,000.00
03/01/17			15,087.50	15,087.50	157,675.00	
09/01/17	4.10%	125,000.00	15,087.50	140,087.50		5,125.00
03/01/18			12,525.00	12,525.00	152,612.50	
09/01/18	4.20%	125,000.00	12,525.00	137,525.00		5,250.00
03/01/19			9,900.00	9,900.00	147,425.00	
09/01/19	4.30%	150,000.00	9,900.00	159,900.00		6,450.00
03/01/20			6,675.00	6,675.00	166,575.00	
09/01/20	4.40%	150,000.00	6,675.00	156,675.00		6,600.00
03/01/21			3,375.00	3,375.00	160,050.00	
09/01/21	4.50%	150,000.00	3,375.00	153,375.00	153,375.00	6,750.00
		<b>1,750,000.00</b>	<b>711,025.00</b>	<b>2,461,025.00</b>	<b>2,461,025.00</b>	<b>68,575.00</b>

Note: An annual paying agent fee of \$250.00 is charged for processing the contract payments. This is expensed to Contract Payments in the accompanying financial statements.

# MARKOWSKI & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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DOUGLAS E. ATKINS, C.P.A.

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

Board of Directors  
Local Development Finance Authority of the Village of Parma  
Jackson County, Michigan

We have audited the financial statements of Local Development Finance Authority of the Village of Parma as of and for the year ended February 28, 2006, and have issued our report thereon dated July 25, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 10, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts including fraud may exist and not be detected by us.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Local Development Finance Authority of the Village of Parma are described in Note 1 to the financial statements. We noted no transactions entered into by the Local Development Finance Authority of the Village of Parma during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the valuation of land owned by the Authority.

We evaluated the valuation of land and determined that it is reasonable.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Local Development Finance Authority of the Village of Parma that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We noted audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Local Development Finance Authority of the Village of Parma's reporting process. Please see the attached memorandum of comments and recommendations.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Local Development Finance Authority of the Village of Parma's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

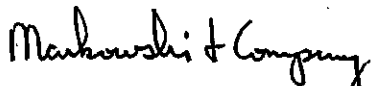
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Local Development Finance Authority of the Village of Parma's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

The staff at the Village and the LDFA Treasurer were extremely helpful and cooperative during our audit. We did not encounter any difficulties in completing our audit.

This information is intended solely for the use of the Board of Directors and management of Local Development Finance Authority of the Village of Parma and should not be used for any other purpose.

Very truly yours,



**MARKOWSKI & COMPANY CPAs**

July 25, 2006